
July 1998

MILITARY BASE CLOSURES

Issues Related to the Fiscal Year 1999 Budget Request



19980820 031

National Security and
International Affairs Division

B-279056

July 30, 1998

Congressional Committees

Senate Report 105-52, dated July 22, 1997, on the 1998 Military Construction Appropriations Bill requested the continuation of our annual review of the Department of Defense's (DOD) base closure accounts and its budget request for base closure activities. Specifically, this report discusses opportunities for offsetting the budget request for fiscal year 1999, including the validity of two proposed military construction (MILCON) projects included in that request. Our scope and methodology are described in appendix I.

Background

In the late 1980s, DOD decided to close excess military bases because changing national security requirements had resulted in a military base structure that was larger than needed. Consequently, the Congress enacted base realignment and closure (BRAC) legislation that instituted base closure rounds in 1988, 1991, 1993, and 1995. For the 1991, 1993, and 1995 rounds, the legislation required DOD to complete all closures and realignments within 6 years from the date the President sent the BRAC Commission's recommendations and his approval to the Congress. Closure and realignment actions for the 1988 and 1991 rounds were required to be completed by September 30, 1995, and July 10, 1997, respectively. Actions for the 1993 and 1995 rounds are to be completed by July 3, 1999, and July 15, 2001, respectively.

The Congress established two base closure accounts to fund the closure rounds. The first account, the DOD base closure account,¹ funded BRAC activities for the 1988 round and the second account, the DOD base closure account 1990,² funded BRAC activities for the 1991, 1993, and 1995 rounds.

DOD's authority to obligate 1988 base closure account funds to close or realign bases expired on September 30, 1995. After that date, funds in the 1988 account ceased to be available for new obligations³ and may only be

¹The DOD base closure account (sometimes called the 1988 base closure account) was established by section 207(a)(1) of the Defense Authorization Amendments and Base Closure and Realignment Act of 1988 (P.L. 100-526).

²The 1990 base closure account was established by section 2906(a)(1) of the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510).

³DOD financial regulations define obligations as amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment.

used to adjust and liquidate obligations already charged to the account.⁴ Unobligated funds in the account must remain there until the Congress transfers them or the account is closed. According to DOD officials, the account will be closed on September 30, 2000.⁵ Appendix II discusses the status of funds in the 1988 account.

A different set of rules applies, however, to the 1990 base closure account. Funds in that account are available for an indefinite period.⁶ New obligations may be incurred and old obligations liquidated against the account until the Secretary of the Defense closes it. As a consequence of the 6-year implementation period for the 1991, 1993, and 1995 rounds, the period provided to obligate appropriated funds differs by BRAC round. For example, after July 10, 1997, unobligated funds⁷ in the account were not available to incur new obligations for BRAC 1991 closure or realignment actions, except for (1) environmental restoration and mitigation, and property management and disposal activities at BRAC 1991 sites and (2) adjusting and liquidating obligations properly charged to the BRAC 1991 round.

The Congress, in appropriating funds to the 1990 base closure account, gave DOD the flexibility to allocate funds by military service, budget function, and BRAC installation.⁸ The Congress recognized the complexities of realigning and closing bases and of providing for environmental restoration and mitigation. As a result, appropriations to the 1990 account are structured in a manner that permits the Secretary of Defense to redistribute unobligated balances as appropriate to avoid delays and complete realignments and closures, along with environmental actions.

In March 1998, DOD requested more than \$1.7 billion for the BRAC program in fiscal year 1999.⁹ As shown in table 1, the amount requested is getting

⁴DOD Office of General Counsel's memorandum, Aug. 30, 1995.

⁵Unless otherwise specifically provided by law, an expired fixed appropriation account is generally available for adjusting and liquidating obligations properly chargeable to that account for 5 years following its period of availability for obligations. At the end of this 5-year expiration period, the account is closed and all balances are permanently canceled. Any subsequent obligation adjustments or payments incurred against canceled accounts are funded with current appropriations.

⁶In the case of the 1990 base closure account, the unobligated balance and unliquidated obligations were \$1.8 billion and \$2.7 billion, respectively, on Feb. 28, 1998. These amounts include \$2.1 billion appropriated in Sept. 1997 for fiscal year 1998.

⁷DOD financial regulations define unobligated funds as balances of budgetary authority that remain available for obligation.

⁸DOD financial regulations define allocations as distributions of funds to an operating agency.

⁹DOD base realignment and closure, revised budget request for fiscal year 1999, Mar. 1998.

smaller each year as more implementation actions are completed. In November 1997, the Office of the Under Secretary of Defense (OUSD) Comptroller reported that approximately 97 percent of the \$15.8 billion made available for all four BRAC rounds was obligated.

Table 1: Comparison of DOD's Fiscal Year 1999 Budget Request With the 1997 and 1998 Appropriations

Dollars in thousands			
BRAC rounds	1997 appropriations	1998 appropriations	1999 budget request
1991	\$352,800	\$116,754	
1993	971,925	768,702	\$433,464
1995	1,182,749	1,175,398	1,297,240
Total	\$2,507,474	\$2,060,854	\$1,730,704

Results in Brief

DOD and the military services have reduced the previous high unobligated balances in the 1990 base closure account. However, there are opportunities to offset the 1999 budget request. Our analysis of the 1990 account and the fiscal year 1999 BRAC budget request raises questions about the need for \$131.1 million included in the request. Specifically:

- From the 1990 base closure account, \$35.7 million in proceeds generated by BRAC activities that has not been reported to the Congress; \$12.5 million previously allocated but not needed for BRAC 1991 MILCON projects; \$7.8 million allocated but not needed for BRAC 1991 operation and maintenance (O&M) activities; and \$8.5 million previously allocated but not needed for BRAC 1991 environmental projects.
- From the fiscal year 1998 BRAC appropriations, \$26 million previously withheld but ultimately was not needed for other higher priority programs.
- From the 1999 BRAC budget request, \$40.6 million requested for two separate MILCON projects may no longer be needed because the requirements for one project have not been determined and the other has already been funded.

Funding Opportunities to Offset the 1999 BRAC Budget Request

Our analysis of the base closure account and the fiscal year 1999 BRAC budget request raises questions about the need for \$131.1 million included in the request. Our questions center on (1) whether the budget request could be offset by using unreported proceeds from BRAC actions, and funds in the 1990 account are still needed for the BRAC 1991 round and (2) why fiscal year 1998 appropriations were withheld from the BRAC program for other purposes but never used. Further, the 1999 BRAC budget request

contains funds for two MILCON projects that may no longer be needed in fiscal year 1999.

Unreported Proceeds From BRAC Activities Could Be Used to Offset the Request

The military services collected \$35.7 million more in proceeds from land sales and leases at closing or realigning bases than reported in the 1999 BRAC budget request (see table 2). Although estimated proceeds from land sales and leases are usually used to offset budget requests,¹⁰ the \$35.7 million in unreported proceeds has not been used for the reasons that are discussed below.

Table 2: Unreported Proceeds From Land Sales and Leases by Military Service

Dollars in thousands

Military service	Actual receipts			Reported proceeds ^a	Unreported proceeds
	Land sales	Leases	Total		
Air Force ^b	\$15,729	\$5,262	\$20,991	[\$9,703] ^c	\$20,991
Army	111,463	542	112,005	108,080	3,925
Navy	9,617	4,140 ^d	13,757	2,991	10,766
Total	\$136,809	\$9,944	\$146,753	\$111,071	\$35,682

Note: Cumulative figures.

^aReported in the DOD base realignment and closure revised budget request for fiscal year 1999, March 1998.

^bAs of February 1998, only \$9.6 million and \$4.1 million from the Air Force's BRAC land sales and leases, respectively, had been deposited into the 1990 base closure account. The remaining proceeds, of the \$20,991, are being transferred from a suspense account to the 1990 account.

^cAccording to Air Force officials, \$9.7 million reported as proceeds in the 1999 BRAC budget request was not proceeds from land sales or leases. The \$9.7 million was collections from the city of Chicago for costs resulting from the closure of the O'Hare International Airport Air Force Reserve Station, Illinois. The city proposed the closure, and it is financing the full cost of replacement facilities, moving, and related environmental analyses and cleanup activities.

^dIncludes utility fees.

Statutes and DOD guidance state that proceeds from the transfer, lease, or disposal of property due to the BRAC process shall be deposited into the

¹⁰Section 2906(a) of the 1990 Defense Base Closure and Realignment Act (P.L. 101-510) provides that proceeds received from the lease, transfer or disposal of any property at a military installation closed or realigned under the act shall be deposited into the 1990 base closure account. See also 10 U.S.C 2667(D)(5). According to DOD officials, DOD Financial Management Regulation (vol. 12, ch. 13) Fiscal Policy for Base Closure and Realignment, requires these proceeds to be reported in the annual DOD budget estimate request.

base closure account.¹¹ Proceeds deposited by a particular military service will generally be allocated to that service's BRAC program. However, according to an official from the OUSD Comptroller, Defense Finance and Accounting Service financial reports do not show that the \$35.7 million in unreported proceeds was deposited into the account by the responsible military service.

Air Force Proceeds

The \$21 million in proceeds collected by the Air Force was not reported in the 1999 budget request because procedures for fund use have only recently been finalized and, as a result, program officials did not have constructive receipts of those proceeds. Documents indicate that the Defense Finance and Accounting Service started developing specific disposition guidance in July 1992. While the guidance was being developed, the proceeds were held in a suspense (temporary holding) account. When the disposition guidance was finalized in 1998, Air Force officials initiated actions to transfer the funds from the suspense account to the 1990 base closure account. As of May 1998, only \$9.6 million and \$4.1 million from the Air Force's land sales and leases, respectively, had been deposited into the 1990 account. Air Force officials plan to report those proceeds in the budget submission for fiscal year 2000.

Further, Air Force officials said that they plan to use these proceeds to partially offset unbudgeted costs (about \$107.4 million in fiscal year 1998) related to the closure and realignment of McClellan Air Force Base, California, and Kelly Air Force Base, Texas.¹² Because the decisions and plans for these BRAC actions were not finalized until November 1997 and not approved until February 1998, the Air Force did not budget for them in the fiscal year 1998 BRAC budget submission. As a result, Air Force officials told us that they will have a funding shortfall for its BRAC program in fiscal year 1998.

Army Proceeds

According to an Army official responsible for the BRAC program, \$3.9 million in unreported proceeds for the Army was collected after the

¹¹Memorandum for the assistant secretaries of the military services, DOD base closure account, from DOD Principal Deputy Comptroller, Jan. 3, 1990, and memorandum for the assistant secretaries of the military services, financial management policy and procedures for base closure and realignment, from the DOD Deputy Comptroller (Management Systems), Dec. 21, 1993.

¹²On May 7, 1998, Air Force officials provided cost estimates that indicate the Air Force will need an additional \$263.8 million for fiscal years 1998 and 1999 or a total of \$335.4 million for fiscal years 1998-2003 to fund recent changes in the closure and realignment of these two bases. The revised closure and realignment plan accelerates the departure of employees and related costs, such as severance and leave pay, civilian change of station costs, procurement of equipment and supplies, transportation of things, and minor construction. Further, the total estimated cost of personnel and realignment has increased as a result of additional information on locations and population dispersion. We did not validate these revised requirements.

fiscal year 1999 budget submission and no estimate was included in the submission because of the uncertainties in collecting revenues from BRAC land sales and leases. The Army had planned to use the \$3.9 million to offset the budget submission for fiscal year 2000.

Navy Proceeds

According to Navy officials, \$9.3 million of the \$10.8 million in unreported proceeds was received after the Navy's 1999 budget request was submitted to DOD in September 1997 and, as a result, that amount was not included in the submission. Further, these officials are reluctant to include estimated proceeds in the annual budget process because of the uncertainties in collecting BRAC revenues. For example, in the budget request for fiscal year 1997, the Navy estimated \$243.9 million in land sales for the BRAC 1993 round. However, due primarily to less emphasis on selling surplus land and a greater emphasis on economic benefits of transferring the property to nearby communities, there were no proceeds. As a result, Navy officials had to restructure the Navy's BRAC program to meet this shortfall. In addition, the Navy does not routinely include lease revenues in its budget submissions but budgets for these proceeds to pay for caretaking costs on closing installations.

Funds Allocated for BRAC 1991 MILCON Requirements Could Be Used to Offset the Request

During March and April of 1998, the military services had \$12.5 million of unobligated and unliquidated funds that was no longer required to support previously valid BRAC 1991 MILCON projects (see table 3). We found no instances where these funds were initially allocated or obligated for unsupported MILCON requirements. Program requirements tend to change, and in some cases disappear, as base closure and realignment actions are implemented. Although the services have reprogrammed some funds to other BRAC requirements, the \$12.5 million represents additional available funding that was not anticipated at the time the fiscal year 1999 budget request was submitted to the Congress.

Table 3: Funding Available for Withdrawal and Deobligation From BRAC 1991 MILCON Projects

Dollars in thousands			
Military service/major command	Withdrawal	Funds available for	
		Deobligation	Total
Air Force			
Army Corps of Engineers ^a	\$197		\$197
Air Combat Command	25		25
Air Education and Training Command	93	\$22	115
Air Force Reserve	25	20	45
Air National Guard	104		104
Naval Facilities Engineering Command	48		48
Army			
Army Corps of Engineers ^b	11,278		11,278
Navy			
Naval Facilities Engineering Command	693		693
Total	\$12,463	\$42	\$12,505

Note: Withdrawal, in this case and in the following tables, is the transfer of unobligated funds between an agency's accounts and subaccounts and deobligation is the cancellation or downward adjustment of previously recorded obligations.

^aThese funds were initially allocated to the Air Force for specific BRAC MILCON projects. The Air Force BRAC Office reallocated the funds to Army Corps of Engineers to construct the specified projects.

^bThese funds were initially allocated to the Army for specific BRAC MILCON projects. The Army BRAC Office reallocated the funds to the Army Corps of Engineers to construct the specified projects.

Source: Interviews in March and April 1998 with officials from the major commands. The Air Force's figures, except for the Army Corps of Engineers, were generated by the Office for Financial Management and Comptroller, Directorate of Budget Investments (Construction), during its review of account balances with the intent of realigning available funds to offset the Air Force's unfunded BRAC requirements in fiscal year 1998.

According to the Office of Management and Budget Circular No. A-34, Instructions on Budget Execution, recoveries of prior year obligations that have been deobligated are available for new obligations if their period of availability has not expired. An official from the OUSD Comptroller Office said that the military services should periodically review their unobligated balances and unliquidated obligations so that the funds can be used for unfunded requirements. Although the DOD Financial Management Regulation provides financial policy and procedures for base closure and realignment actions, the regulation does not specify procedures for

reviewing (1) unobligated balances and promptly obligating funds to valid requirements when original requirements no longer exist and (2) unliquidated obligations and promptly deobligating excess obligations when final costs are known. Program officials from several major commands said that validating the need for their unliquidated obligations was not a priority until 1998.¹³

In February 1998, the Army initiated a review of its unliquidated balances for the BRAC MILCON program.¹⁴ The Chief of the Army BRAC Office said that, although BRAC execution significantly improved during fiscal year 1997, poor execution in the first half of the fiscal year continued to be a problem. A particular area of concern was the large carryover balance of unobligated funds appropriated prior to fiscal year 1998. During the review, program officials verified that execution of the 1998 program had started.

Also in February 1998, the Air Force initiated a review of the unobligated balances and unliquidated obligations for its BRAC program.¹⁵ During the review, program officials verified the requirements for their unobligated balances and unliquidated obligations. As a result, Air Force officials identified funds that were no longer needed to support previously valid program requirements. The Air Force intends to realign these available funds, shown in tables 3, 4, and 5, to offset the 1998 funding shortfall resulting from the closure and realignment of McClellan and Kelly Air Force Bases.

Funds Allocated for BRAC 1991 O&M Activities Could Be Used to Offset the Request

During March and April 1998, the military services allocated \$7.8 million from the 1990 base closure account to fund BRAC 1991 O&M requirements that no longer existed (see table 4). Similar to allocations for MILCON projects, we found no instances where funds were initially allocated or obligated for invalid O&M requirements. Although the services have reprogrammed some funds to other BRAC requirements, the \$7.8 million

¹³Our recent audit of the federal government's fiscal year 1997 consolidated financial statements identified billions of dollars in DOD unreconciled cash disbursement activity. As a result of these accounting problems, DOD has not recorded all obligations and expenditures to specific budgetary accounts. See *Financial Audit: 1997 Consolidated Financial Statements of the United States Government* (GAO/AIMD-98-127, Mar. 31, 1998).

¹⁴Memorandum for Commander, U.S. Army Corps of Engineers, BRAC execution review; from the Chief, Army BRAC Office; Feb. 13, 1998.

¹⁵Memorandum for distribution, BRAC unobligated balances and unliquidated obligations, from the Deputy Assistant Secretary (Budget) and the Deputy Assistant Secretary of the Air Force (Installation), Feb. 26, 1998.

represents additional available funding that was not anticipated at the time the fiscal year 1999 budget request was submitted to the Congress.

Table 4: Funding Available for Withdrawal and Deobligation From BRAC 1991 O&M Activities

Dollars in thousands			
Military service/major command	Withdrawal	Funds available for	
		Deobligation	Total
Air Force			
Air Force service organizations	\$691		\$691
Air Combat Command	1,245	\$3	1,248
Air Education and Training Command	183	38	221
Air Force Reserve	31	25	56
Air Mobility Command	1	27	28
Air National Guard	2,149		2,149
Army			
Army Materiel Command	6	1,706	1,712
Army Medical Command	255		255
Army Training and Doctrine Command	557		557
U.S. Army Forces Command	134		134
Navy			
Naval Facilities Engineering Command	756		756
Total	\$6,008	\$1,799	\$7,807

Source: Interviews in March and April 1998 with officials from the major commands. The Air Force's figures were also generated by the Office for Financial Management and Comptroller, Directorate of Budget Investments (Construction), during its review of account balances with the intent of realigning available funds to offset the Air Force's unfunded BRAC requirements in fiscal year 1998.

The OUSD Comptroller Office has reduced unobligated O&M balances in the 1990 base closure account. During the review of the services' budget requests for fiscal year 1999, the OUSD Comptroller Office deferred \$34.5 million (requested by the Army and the Air Force) to later years because of poor execution of O&M funds in fiscal years 1995, 1996, and 1997.¹⁶ The Comptroller Office concluded that requesting more funds than can be obligated during a year ties up valuable budget resources that could be used more effectively.

¹⁶Based on unobligated O&M balances for fiscal years 1995-97, the reviewing official had initially recommended that \$17 million and \$35.5 million requested by the Army and the Air Force, respectively, be deferred from fiscal year 1999 to fiscal year 2000. Subsequently, the recommended reduction for the Air Force was decreased to \$17.5 million.

Funds Allocated to BRAC 1991 Environmental Projects Could Be Used to Offset the Request

During March and April 1998, the military services allocated \$8.5 million from the 1990 base closure account for BRAC 1991 environmental requirements that no longer existed (see table 5). Similar to allocations for MILCON projects and O&M activities, we found no instances where these funds were initially allocated or obligated for invalid requirements. Although the services have reprogrammed some funds, this amount represents additional available funding that was not anticipated at the time the fiscal year 1999 budget request was submitted to the Congress.

Table 5: Funding Available for Withdrawal and Deobligation From BRAC 1991 Environmental Projects

Dollars in thousands			
Military service/major command	Withdrawal	Funds available for	
		Deobligation	Total
Air Force			
Air Force service organizations	\$1,440	\$2,127	\$3,567
Air Combat Command	3,390		3,390
Air Education and Training Command	85	393	478
Army			
Army Medical Command	149		149
U.S. Army Forces Command		374	374
Navy			
Naval Air Systems Command	1	357	358
Naval Facilities Engineering Command	174		174
Total	\$5,239	\$3,251	\$8,490

Source: Interviews in March and April 1998 with officials from the major commands. The Air Force's figures were generated by the Office for Financial Management and Comptroller, Directorate of Budget Investments (Construction), during its review of account balances with the intent of realigning available funds to offset the Air Force's unfunded BRAC requirements in fiscal year 1998.

The Air Force Audit Agency has issued the following two reports expressing concern about the use of funds allocated to BRAC environmental projects.

- In September 1995, the audit agency reported that BRAC funding did not match requirements and obligation rates could be improved by streamlining procedures for environmental contracting and providing better guidance to the major commands.¹⁷

¹⁷Review of the Base Closure Account, Air Force Audit Agency (Project 94058022, Sept. 1, 1995).

- In April 1997, the agency reported that the Air Force had \$20.8 million in excess to its BRAC environmental requirements.¹⁸ Neither the team leaders nor funding management personnel could accurately account for environmental restoration costs by project.

In October 1997, the Army Assistant Chief of Staff for Installation Management expressed his concern about the poor financial performance of the Army BRAC environmental program.¹⁹ Although the Army had obligated over \$1.1 billion for BRAC environmental restoration, over \$339 million remained unliquidated. According to the Assistant Chief of Staff, the entire BRAC program was vulnerable to budget reductions and reprogramming actions if the Army's major commands did not act quickly to reduce the unliquidated balance. He concluded that the balance should be reduced to use idle environmental funds productively. As a result of this effort, the Army reduced its unliquidated balance for its BRAC environmental projects.

Funds Appropriated and Previously Withheld From BRAC Activities in Fiscal Year 1998 Could Be Used to Offset the Request

DOD withheld \$26 million appropriated in fiscal year 1998 from the BRAC program that could be used to offset the fiscal year 1999 BRAC budget request. In December 1997, based on the administration's estimated savings from a lower than expected inflation rate, the OUSD Comptroller Office withheld these BRAC funds from the military services. Although the \$26 million was put in a holding account for potential reprogramming for other higher priority programs, the money was never used for these programs. An official in the OUSD Comptroller Office said that withholding these funds did not adversely affect the BRAC program because the services were able to carry out their programs as budgeted due to a lower inflation rate. The OUSD Comptroller Office released the funds to the services for BRAC activities on March 24, 1998. Thus, the \$26 million represents additional available funding that was not anticipated at the time the fiscal year 1999 budget request was submitted to the Congress.

The 1999 Budget Request Contains Funds for Two MILCON Projects That Are No Longer Required

The 1999 BRAC budget request contains \$40.6 million for two MILCON projects for which requirements have not been determined or have already been funded. The two projects are an Army medical warehouse

¹⁸Environmental Cleanup at Bases Selected for Closure, Air Force Audit Agency (Project 96052039, Apr. 7, 1997).

¹⁹Memorandum for distribution: BRAC Environmental Program Disbursements (Outlays), from the Army Assistant Chief of Staff for Installation Management, Oct. 31, 1997.

\$31 Million Requested for a Warehouse Before Requirements Have Been Determined

(\$31 million) and an Army headquarters building for the Military Transportation Management Command (MTMC) (\$9.6 million).

The Defense Logistics Agency (DLA) requested \$31 million that requested to build a Deployable Medical Systems warehouse for the Army, although the requirements for the warehouse had not been determined. Recently, DLA officials questioned the Army's estimated requirements for the warehouse.

In its June 1997 report, the DOD Inspector General recommended withholding the \$31 million requested until officials decided where the warehouse should be located.²⁰ Although DLA adequately justified the requirements for the BRAC 1995 project, the Army had not decided whether DLA should continue to provide the reimbursable support for the Deployable Medical Systems, or where it wanted the workload performed. In response to the DOD recommendation, DLA has agreed not to program MILCON funds until it has a commitment from the Army on where to locate the warehouse. Although the Army has decided that the warehouse and related operations should be located at Hill Air Force Base, Utah, the size of the warehouse still has not been determined.

In March 1998, DLA officials expressed reservations about maintaining the full scope of the warehouse as requested in the 1999 BRAC budget request.²¹ According to Army planning documents provided to DLA, the \$45.3 million programmed for the project in fiscal year 1998 is estimated to decrease to \$6.1 million in fiscal year 2005. The two major causes for this decrease are the projected reduction in the Army force structure and the potential impact of a medical reengineering initiative. In addition, the Army has decided not to move two programs (the Associated Support Items of Equipment Repair Program and Reserve Component Hospital Decrement Program) of the Deployable Medical Systems mission to Hill Air Force Base as planned. Instead, these programs will be moved to the Sierra Army Depot, California.

As of May 4, 1998, DLA officials were revalidating these requirements and resizing the project. According to one agency estimate, a 50-percent reduction in the Deployable Medical Systems mission equates to a 43-percent reduction in the project's square footage. However, as of May 4,

²⁰Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah; Office of the Inspector General, DOD; June 26, 1997.

²¹Memorandum for the Commander, Defense Distribution Center, from the Executive Director, DLA-Resource, Planning & Performance, Mar. 30, 1998.

\$9.6 Million Requested for Headquarters Building Has Already Been Funded

1998, DLA officials were unable to provide a revised cost estimate that could be included in the 1999 budget request for this project. Historically, the OUSD Comptroller Office has withheld funds for MILCON projects when requirements are undecided.

In the 1999 budget request, the Army requested \$9.6 million for a MTMC headquarters building that has already been funded. The Army needed the funds to renovate one building and construct an addition at Fort Eustis, Virginia, to support the relocation and consolidation of MTMC Oakland Army Base and the Bayonne Military Ocean Terminal, New Jersey. However, DOD and Army officials said that BRAC funds have already been awarded for the project and the reprogramming action should be completed by June 1998. As a result, it no longer needs the \$9.6 million included in the 1999 budget request for the MTMC headquarters building.

Conclusions

DOD and the military services have reduced the previous high unobligated balance in the 1990 base closure account. However, our analysis of the 1990 account and the fiscal year 1999 BRAC budget request raises questions about the need for \$131.1 million included in the request. Our questions center on the potential (1) use of unreported proceeds from BRAC actions, unused funds allocated to the BRAC 1991 round, and withheld BRAC appropriations from fiscal year 1998 to offset equivalent amounts of funding included in the 1999 budget request and (2) need for funding requested for two MILCON projects, where the requirements for one project have not been determined and the other has already been funded.

Matters for Congressional Consideration

As the Congress develops the budget authority for DOD's base closure activities in fiscal year 1999, it may wish to consider appropriating up to \$131.1 million less than DOD is requesting in its fiscal year 1999 BRAC budget submission because prior year funds are available to meet these requirements and the request to fund two MILCON projects could be eliminated.

Agency Comments and Our Evaluation

In commenting on a draft of this report, DOD did not concur that its request should be reduced by \$131.1 million. Specifically, DOD stated that (1) \$35.7 million in unreported proceeds generated by BRAC activities is unavailable to offset fiscal year 1999 requirements because the proceeds have been or will be reprogrammed to cover unfunded requirements,

(2) \$54.8 million in unobligated balances²² is unavailable as an offset since it has already been earmarked for other unfunded requirements, (3) \$40.6 million for two separate MILCON projects is unavailable for offset because previously approved actions that were deferred until 1999 still need to be fully funded, and (4) reductions of this magnitude will eliminate the management flexibility envisioned by the Congress and, adversely impact DOD's ability to close installations and speed the economic recovery of affected communities.

We continue to believe the Congress may wish to consider appropriating up to \$131.1 million less than DOD requested in its fiscal year 1999 BRAC budget because prior year funds are available to meet requirements and the request to fund two MILCON projects can be eliminated. DOD's fiscal year 1999 budget request did not reflect \$35.7 million in proceeds that was collected but not included in the request. Public law and DOD guidance provide that proceeds generated from BRAC actions be reported in DOD's annual budget estimate request. Further, the military services have reprogrammed some funds to other BRAC requirements; however, \$54.8 million in unobligated balances represents additional available funding that was not anticipated at the time the fiscal year 1999 budget request was submitted to the Congress. After the budget submission, the major commands and the Army Corp of Engineers found that the requirements for these funds no longer existed and could provide no evidence where they would use the unobligated balances.

Also, the 1999 budget request contains \$40.6 million for two MILCON projects that are no longer needed. DLA officials continue to question the Army's \$31 million in requirements for a medical warehouse and could not provide a revised cost estimate for inclusion in the 1999 budget request. In addition, DOD agreed that the \$9.6 million requested for the MTMC headquarters building has already been funded. While DOD said this \$40.6 million could be used to fund other actions that had been deferred, we found no evidence of deferred actions that still needed to be fully funded.

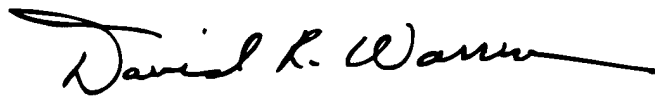
Finally, regarding DOD's concern that reductions of the magnitude suggested by our report would limit management flexibility envisioned by the Congress and adversely impact the Department's ability to close installations, we agree that the Congress provided the Department with flexibility to reprogram funds. At the same time, the Congress approves

²²This \$54.8 million includes \$12.5 million for BRAC 1991 MILCON projects; \$7.8 million for BRAC 1991 O&M activities; \$8.5 million for BRAC 1991 environmental projects; and \$26 million for fiscal year 1998 BRAC appropriations withheld but ultimately not needed for other higher priority programs.

funding and the OUSD Comptroller Office makes funds available to the DOD components based on their official, detailed budget justification and financial plan. At the time we completed our review, only the Air Force, indicated a specific need associated with the funds we identified as available to offset DOD's fiscal year 1999 budget request. The Air Force told us they planned to use the funds to help reduce a shortfall in the money needed to close two bases. However, the OUSD Comptroller Office has not yet formally approved the reprogramming of these funds.

We are sending copies of this report to the Secretaries of Defense, the Army, the Navy, and the Air Force; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others upon request.

Please contact me at (202) 512-8412 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix IV.

A handwritten signature in black ink, reading "David R. Warren". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

David R. Warren, Director
Defense Management Issues

List of Congressional Committees

The Honorable Conrad Burns
Chairman
The Honorable Patty Murray
Ranking Minority Member
Subcommittee on Military Construction
Committee on Appropriations
United States Senate

The Honorable Strom Thurmond
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Ron Packard
Chairman
The Honorable Bill Hefner
Ranking Minority Member
Subcommittee on Military Construction
Committee on Appropriations
House of Representatives

The Honorable Floyd D. Spence
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on National Security
House of Representatives

Contents

Letter	1
Appendix I Scope and Methodology	20
Appendix II Status of Funds in the 1988 Base Closure Account	23
Appendix III Comments From the Department of Defense	25
Appendix IV Major Contributors to This Report	29
Related GAO Products	32
Tables	
Table 1: Comparison of DOD's Fiscal Year 1999 Budget Request with the 1997 and 1998 Appropriations	3
Table 2: Unreported Proceeds From Land Sales and Leases by Military Service	4
Table 3: Funding Available for Withdrawal and Deobligation From BRAC 1991 MILCON Projects	7
Table 4: Funding Available for Withdrawal and Deobligation From BRAC 1991 O&M Activities	9
Table 5: Funding Available for Withdrawal and Deobligation From BRAC 1991 Environmental Projects	10
Figure	
Figure II.1: Unobligated Balances in the 1988 Base Closure Account Since September 30, 1996	23

Contents

Abbreviations

BRAC	base realignment and closure
DLA	Defense Logistics Agency
DOD	Department of Defense
MILCON	military construction
MTMC	Military Transportation Management Command
O&M	operation and maintenance
OUSD	Office of the Under Secretary of Defense

Scope and Methodology

During our review, we interviewed and obtained data from Department of Defense (DOD) officials, including those from the Defense Logistics Agency (DLA), Defense Finance and Accounting Service, the DOD Inspector General, Air Force, Army, and Navy. Within the Air Force, we met with officials of the Office of the Chief of Staff, the Office for Financial Management and Comptroller, the Air Force Base Conversion Agency, the Air Combat Command, the Air Education and Training Command, the Air Mobility Command, and the 11th Wing. Army officials we met with were the Assistant Chief of Staff for Installation Management, the Office of the Comptroller, the Corps of Engineers, the U.S. Army Forces Command, the Communications-Electronics Command, the Materiel Command, the Medical Command, the Military Traffic Management Command (MTMC), the Training and Doctrine Command, and the Army Military District of Washington. Within the Navy, we met with officials of the Naval Facilities Engineering Command, Office of the Comptroller, Naval Air Systems Command, Naval Sea Systems Command, and Naval Audit Service.

To identify funding opportunities for offsetting DOD's budget request, we focused on identifying prior year appropriations that had not been obligated or liquidated and that may be available to fund base realignment and closure (BRAC) activities during fiscal year 1999. Because BRAC actions for the 1988 and 1991 rounds were required to be completed by September 30, 1995, and July 10, 1997, respectively, we questioned the need for the unobligated funds and unliquidated obligations that were still allocated for these rounds. We examined a variety of DOD and military services budget and financial documents; analyzed implementation legislation for the base closure accounts; examined budget execution data for BRAC military construction (MILCON), operations and maintenance, and environmental funds; compared execution data with the Office of Management and Budget and DOD guidance and goals; assessed initiatives to improve financial performance; and reviewed guidance on the use of funds in the base closure accounts and recent audits that focused on unobligated balances and unliquidated obligations in the accounts.

We discussed the need for the unobligated funds and unliquidated obligations (in the 1988 base closure account) for the 1988 round with officials from DOD, the military services, and several major commands to determine their availability to fund other BRAC requirements. Additionally, we discussed the need for the unobligated funds and unliquidated obligations (in the 1990 base closure account) for the 1991 round with officials from DOD, the military services, and several major commands to identify funding that may be available during fiscal year 1999 that was not

anticipated at the time the BRAC budget request was submitted to the Congress. Our 1998 audit of the federal governments fiscal year 1997 consolidated financial statements identified billions of dollars in DOD unreconciled cash disbursement activity. As a result of these accounting problems, we reconciled the reported unliquidated obligations with the major commands to verify that all transactions had been recorded for those BRAC projects and activities with balances that could be deobligated. We also compared data on proceeds from land sales and leases with those reported in the 1999 budget request to identify BRAC revenues that had not been reported to the Congress and not used to offset DOD's budget requests for fiscal year 1999 and prior years.

To validate DOD's budget request for fiscal year 1999, including the MILCON projects, we reviewed fiscal year 1999 and prior year budget requests and supporting justifications for DOD, DLA, Defense Information Systems Agency, and military services. We obtained and reviewed data on requirements to support the budget request for selected bases and subaccounts. We reviewed Office of Management and Budget and DOD guidance on the preparation and justification of budget requests, policy guidance and submission requirements for the fiscal year 1999 BRAC budget request and prior budget requests, internal review procedures for validating budget submissions from major commands, and DOD program budget decision documents. We compared data on recently completed BRAC actions with the 1999 budget request to verify that budgeted requirements were still valid.

We also compared the amounts requested for operations and maintenance activities and environmental projects at installations in the 1999 budget request with their unobligated balances and unliquidated obligations. We discussed the results of this comparison with officials from DOD, the military services, and several major commands to verify that additional appropriations were needed to fund 1999 requirements for these installations. We reviewed recent audits that have focused on MILCON projects in the 1999 budget request and prior requests to determine the magnitude, scope, and results of the audits. To verify MILCON requirements we compared the audit results with the MILCON projects included in the 1999 budget request to determine whether the results were reflected in the budget request. We discussed our comparison with officials from DLA and the military services to determine whether the MILCON projects and requirements were still valid.

Appendix I
Scope and Methodology

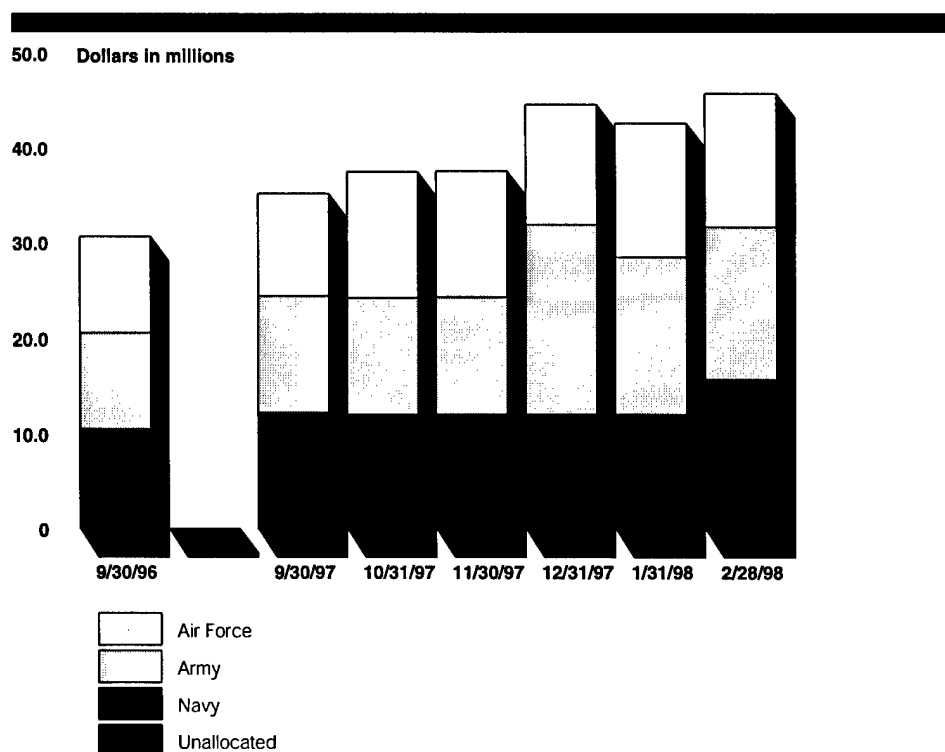
In performing this review, we used the same accounting systems, reports, and statistics the military services use to monitor their BRAC programs. We did not independently determine the reliability of this information.

We conducted our review from December 1997 to May 1998 in accordance with generally accepted government auditing standards.

Status of Funds in the 1988 Base Closure Account

On February 28, 1998, the 1988 base closure account contained \$45.8 million in unobligated funds.¹ As shown in figure II.1, this funding is up from \$30.6 million in September 1996. According to program officials, this increase occurred because the military services deobligated funds from requirements that no longer exist. Program requirements tend to change, and in some cases disappear, as BRAC actions are implemented. As the services' deobligation process continues, the unobligated balance in the 1988 account will increase.

Figure II.1: Unobligated Balances in the 1988 Base Closure Account Since September 30, 1996



Source: Appropriation Status by Fiscal Year Program and Subaccounts, DDCOMP (M) 1002s, as dated above.

¹On Feb. 28, 1998, unliquidated obligations in the account totaled \$136.3 million.

Appendix II
Status of Funds in the 1988 Base Closure
Account

Program officials stated, pursuant to a DOD Office of General Counsel's memorandum, the \$45.8 million in unobligated funds in the 1988 account will be used only to adjust and liquidate obligations that have already been charged to the account. Although several officials believe this requirement is likely not to be significant, there is no DOD criteria for determining the amount to reserve in expired accounts for this potential requirement. An official in the Office of the Under Secretary of Defense (Comptroller) said that he would reserve \$25.8 million in the 1988 account to make any future adjustments and liquidations.

Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



JUN 18 1998

Mr. David R. Warren
Director, Defense Management Issues
National Security and International Affairs Division
United States General Accounting Office
Washington, DC 20548

Dear Mr. Warren:

This is the Department of Defense response to the General Accounting Office (GAO) Draft report, "MILITARY BASE CLOSURES: Issues Related to the Fiscal Year 1999 Budget Request," dated May 15, 1998, (GAO Code 709306/OSD Case 1617).

I was pleased to read your acknowledgment that the Department has made good strides in reducing the unobligated balances over previous years and your endorsement of our \$1.7 billion fiscal year 1999 BRAC budget request. However, the Department nonconcurs with the report's view that the Department's request should be reduced by \$131.1 million.

The draft report contends that \$35.7 million in proceeds from land sales and leases is available to finance FY 1999 requirements. In many cases these proceeds have either been reprogrammed, as noted in the report, or will be reprogrammed to cover other valid, unfunded requirements. These requirements include funding to cover fiscal year 1998 expenses driven by refinements to some closure plans. They also include the requirement to transfer proceeds to the Reserve Account associated with the transfer or disposal of a commissary or non-appropriated fund (NAF) facility.

The draft report further alleges that \$54.8 million in unobligated balances are available to finance FY 1999 requirements. The Department fully considered anticipated unobligated balances in the BRAC program when it formulated the fiscal year 1999 budget request. As a consequence, these funds are not available as an offset, since they have already been earmarked for valid unfunded requirements.

Lastly, the report indicates that two military construction projects totaling \$40.6 million have been accelerated from FY 1999 to FY 1998 thereby obviating the need to fund these projects in FY 1999. It is true that the Army's Military Traffic Management Command complex is already funded. However, to accommodate an accelerated construction schedule, we had to reprogram 1998 funds from previously approved actions that could be deferred until 1999. Those deferred actions still need to be fully funded.

See comment 1.

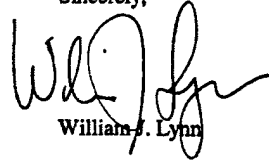
See comment 2.

See comment 3.

The Congress, recognizes the complexities of realigning and closing bases, and gave the Department the flexibility to allocate, reprogram, and redistribute unobligated funds as appropriate to avoid delays and complete realignment and closure actions within mandated schedules. If reductions of this magnitude are taken against the BRAC program, it will adversely impact our ability to close installations and speed the economic recovery of affected communities. It also eliminates the flexibility envisioned by the Congress for the Department to effectively manage BRAC resources.

I appreciate the opportunity to comment on the draft report.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. J. Lynn', is written over the printed name.

William J. Lynn

cc:
Honorable Conrad Burns
Honorable Ron Packard

The following are GAO's comments on the letter from the Under Secretary of Defense (OUSD) Comptroller, dated June 18, 1998.

GAO Comments

1. We continue to believe that the Congress may wish to consider offsetting DOD's 1999 budget request by \$35.7 million in unreported proceeds from land sales and leases that was not reflected in the DOD's or the military services' 1999 budget request submissions. Public law and DOD financial management regulations and guidance provide that proceeds received from the transfer, lease, or disposal of property due to the BRAC process shall be deposited into the 1990 base closure account and shall be reported in the annual DOD budget estimate request. At the time we completed our review, we found no evidence, nor had DOD provided supporting documentation to show the \$35.7 million had been or would be reprogrammed to cover unanticipated fiscal year 1998 expenses or for the requirement to transfer proceeds to a reserve account associated with the transfer or disposal of a commissary or nonappropriated fund facility.

2. We agree that the military services have reprogrammed some funds to other BRAC requirements. We also recognize that program requirements tend to change, and in some cases disappear, as base closure and realignment actions are implemented. However, the \$54.8 million in unobligated balances represents additional available funding that was not anticipated at the time the fiscal year 1999 budget request was submitted to the Congress in February 1998. The \$54.8 million was identified during interviews in March and April 1998 with officials from the services' major commands and the Army Corps of Engineers. As a result of reviews of their unobligated balances and unliquidated obligations during February, March, and April 1998, the major commands and the Army Corps of Engineers found that the requirements for these funds no longer existed. At the time of our review, DOD, the Army, and the Navy could not provide supporting documentation that showed where they would use the unobligated balances, nor did they identify plans to redesignate for other BRAC needs those funds we identified as potentially available to offset DOD's fiscal year 1999 budget request. Only the Air Force, in May 1998 after DOD submitted its budget estimate, identified a need to use some of these funds to reduce a shortfall it identified for two closing bases.

3. We continue to believe that the 1999 BRAC budget request contains \$40.6 million for two separate military construction projects that are no longer required. DOD requested \$31 million for DLA to build a medical warehouse for the Army, even though the requirements for the warehouse

have not been determined. As of May 4, 1998, DLA officials continued to question the Army's requirements for the warehouse and were unable to provide a revised cost estimate for the project that could be included in the 1999 budget request. It has been the OUSD Comptroller's policy to not fund MILCON projects where requirements are not determined. DOD agreed that the Army's MTMC headquarters building request for \$9.6 million had already been funded. DOD asserts that these funds are still needed to refund previously approved actions where the funds were reprogrammed to accommodate an accelerated construction schedule. However, at the time of our review, we found no evidence of deferred actions that still needed to be fully funded.

Major Contributors to This Report

National Security and
International Affairs
Division, Washington,
D.C.

Barry W. Holman, Associate Director
Thomas J. Howard, Assistant Director
William W. Crocker III, Assistant Director
Mark A. Little, Evaluator-in-Charge
Claudia J. Dickey, Evaluator

Norfolk Field Office

Tracy W. Banks, Evaluator

Related GAO Products

Military Base Closures: Detailed Budget Requests Could Improve Visibility
(GAO/NSIAD-97-170, July 14, 1997).

Military Bases: Cost to Maintain Inactive Ammunition Plants and Closed Bases Could Be Reduced (GAO/NSIAD-97-56, Feb. 20, 1997).

Military Base Closures: Reducing High Costs of Environmental Cleanup Requires Difficult Choices (GAO/NSIAD-96-172, Sept. 5, 1996).

Military Bases: Update on the Status of Bases Closed in 1988, 1991, and 1993 (GAO/NSIAD-96-149, Aug. 6, 1996).

Military Bases: Potential Reductions to the Fiscal Year 1997 Base Closure Budget (GAO/NSIAD-96-158, July 15, 1996).

Military Bases: Closure and Realignment Savings Are Significant, but Not Easily Quantified (GAO/NSIAD-96-67, Apr. 8, 1996).

Closing Maintenance Depots: Savings, Workload, and Redistribution Issues (GAO/NSIAD-96-29, Mar. 4, 1996).

Military Bases: Case Studies on Selected Bases Closed in 1988 and 1991
(GAO/NSIAD-95-139, Aug. 15, 1995).

Military Bases: Environmental Impact at Closing Installations
(GAO/NSIAD-95-70, Feb. 23, 1995).

Military Bases: Reuse Plans for Selected Bases Closed in 1988 and 1991
(GAO/NSIAD-95-3, Nov. 1, 1994).

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

<http://www.gao.gov>